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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/18/08

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ARTICLES:

- (1) Poll on Fukuda cabinet, BOJ nomination, gas tax

TOKYO SHIMBUN (Page 2) (Full)  
March 17, 2008

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of the last survey conducted Feb. 9-10.)

Q: Do you support the Fukuda cabinet?

Yes 33.4 (35.6)  
No 50.6 (44.5)

Don't know (D/K) + no answer (N/A) 16.0 (19.9)

Q: (Only for those who answered "yes" to the previous question)  
What's the primary reason for your approval of the Fukuda cabinet?  
Pick only one from among those listed below.

The prime minister is trustworthy 26.1 (18.0)  
Because it's a coalition cabinet of the Liberal Democratic Party and  
New Komeito 8.9 (10.9)  
The prime minister has leadership ability 3.0 (2.3)  
Something can be expected of its economic policies 3.4 (4.3)  
Something can be expected of its foreign policies 6.6 (3.9)  
Something can be expected of its political reforms 2.4 (1.9)  
Something can be expected of its tax reforms 1.2 (4.0)  
Something can be expected of its administrative reforms 2.7 (1.7)  
There's no other appropriate person (for prime minister) 44.1  
(50.0)  
Other answers (O/A) 1.1 (0.8)  
D/K+N/A 0.5 (2.2)

Q: (Only for those who answered "no" to the first question) What's  
the primary reason for your disapproval of the Fukuda cabinet? Pick  
only one from among those listed below.

The prime minister is untrustworthy 9.0 (11.0)  
Because it's a coalition cabinet of the Liberal Democratic Party and  
the New Komeito 5.0 (6.8)  
The prime minister lacks leadership ability 36.7 (26.1)  
Nothing can be expected of its economic policies 17.8 (22.8)  
Nothing can be expected of its foreign policies 1.7 (2.3)  
Nothing can be expected of its political reforms 10.2 (10.9)  
Nothing can be expected of its tax reforms 7.1 (7.0)

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Nothing can be expected of its administrative reforms 6.9 (6.2)  
Don't like the prime minister's personal character 4.3 (4.9)  
O/A 0.4 (0.6)  
D/K+N/A 0.9 (1.4)

Q: The government has asked the Diet to approve its proposal to  
appoint Bank of Japan Vice Governor Toshiro Muto, who was  
administrative vice finance minister, to the post of BOJ governor,  
while the DPJ and other opposition parties had already opposed his  
promotion to the post. What do you think about the government's  
action?

Appropriate 37.2  
Not appropriate 40.7  
D/K+N/A 22.1

Q: The DPJ and other opposition parties see Muto's career as a  
problem in that he served in the posts of Budget Bureau director  
general and administrative vice minister at the Finance Ministry. Do  
you think there is a problem with his career for the post of BOJ  
governor from the perspective of BOJ policies?

Yes 36.8  
No 42.3  
D/K+N/A 20.9

Q: The BOJ governor's term is up to Mar. 19. If the next BOJ  
governor is not appointed by then, the post of BOJ governor will be  
vacant. What do you think about this?

Such a situation should be avoided 61.5  
Unavoidable 32.2  
D/K+N/A 6.3

Q: The recent collision of a Maritime Self-Defense Force Aegis  
destroyer with a fishing boat has left the fishing boat's two  
crewmen missing. Do you appreciate the government's action after the  
accident?

Yes 20.0  
No 73.4  
D/K+N/A 6.6

Q: The gasoline tax currently has a provisional tax portion of 25 yen per liter (for road construction and other road-related purposes). If the Diet decides by March to extend this provisional taxation, the road-related budget will be ensured. Meanwhile, if the provisional taxation is not extended, the gasoline price will go down by the extra tax portion. However, the road-related budget will decrease. Do you think it would be better to extend the provisional taxation, or do you otherwise think it would be better not to extend it?

Better to extend it 29.3 (31.6)  
Better not to extend it 61.0 (57.1)  
D/K+N/A 9.7 (11.3)

Polling methodology: The survey was conducted across the nation on Mar. 15-16 by Kyodo News Service on a computer-aided random digit dialing (RDD) basis. Among randomly generated telephone numbers, those actually for household use with one or more eligible voters totaled 1,473. Answers were obtained from 1,023 persons.

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(2) Government delays submission of nominee for BOJ boss: LDP struggling erratically, miscalculating DPJ's move

ASAHI (Page 4) (Almost full)  
March 18, 2008

Prime Minister Fukuda has failed to keep the March 17 deadline set by the ruling parties for putting forward a new nominee for Bank of Japan (BOJ) governor. He is insisting on the promotion of Deputy Governor Toshiro Muto to governor. The Democratic Party of Japan (DPJ or Minshuto) is rejecting Muto. With the LDP leadership, which is responsible for exploring a settlement line, misjudging the moves of the prime minister and the DPJ, it has become even more difficult to find a settlement line.

Approach to prime minister

The primary candidate for BOJ governor in the second proposal was Muto, though five days had already passed since the disapproval of the government proposal for promoting Muto to governor.

Secretary General Bunmei Ibuki of the Liberal Democratic Party (LDP)

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informally sounded out the view of DPJ Secretary General Yukio Hatoyama, noting: "The prime minister has determinedly said that the continuity of BOJ operations is important. In view of the current international financing, the prime minister appears to think that there should be continuity in the personnel line-up. We would appreciate if the DPJ looks into the possibility of having either incumbent Governor Fukui or Deputy Governor Muto stay on in their posts."

The prevailing view in the ruling camp up until that day was that it would be unavoidable to replace Muto. Former Chief Cabinet Secretary Kaoru Yosano said, "It would be reckless to come up with the candidate rejected in the Upper House." An increasing number of New Komeito members also took the view that the result that the government proposal was disapproved must be taken seriously, as President Ota said. Diet Policy Committee Chairman Tadamori Oshima asked the prime minister to resubmit his plan by March 17 so that Diet approval could be secured before the tenure of incumbent Governor Fukui expired. He took the view that a person other than Muto be selected.

However, the LDP's effort has begun to go astray with the prime minister insisting on nominating Muto. The government extended the 4:00 p.m. deadline for two hours and looked into the possibility of choosing a business leader, based on the premise that Muto be picked as deputy governor in that case. Ibuki at a meeting of LDP executives said, "It would be difficult to select a candidate unless conditions for a candidate, the government's stance and coordination with the DPJ coincide." Though the prime minister gave up the idea

of resubmitting a personnel plan on the 17th, he revealed his determination to continue efforts to choose a candidate so that Diet approval can be obtained by the 19th.

Some ruling party members have begun voicing a question. One senior LDP Diet Policy Committee member said, "The LDP's approach this time is very sloppy. It may be the only solution for Mr. Shirakawa to continue to serve as acting governor."

Even DPJ members are amazed. Acting Diet Affairs Committee Chairman

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Azumi looked puzzled, when he said, "It is unbelievable for the LDP to waste one whole day when the incumbent governor's tenure will expire soon." President Ozawa told his aide, "The government has no resourcefulness."

Approach to DPJ: Lack of channels;

DPJ Diet Affairs Committee Chairman Kenji Yamaoka on the morning of the 17th received a phone call from Oshima, calling for talks involving their secretaries general as well. However, Yamaoka snubbed the proposal, noting, "I already know what Mr. Ibuki has to say. This is no time for holding a ceremonial meeting. I want them to propose a name which we can accept."

Oshima has been responsible for talks with Yamaoka. However, Ibuki's role has been all the way along to promote Muto to governor, based on the prime minister's will.

A meeting between Oshima and Yamaoka, joined by Ibuki and Executive Council Chairman Nikai, took place in Yokohama City on the evening of February 21. Ibuki for the first time revealed his party's plan to select Muto as governor. When Yamaoka expressed disapproval, Ibuki said, "Mr. Yamaoka, you do not need to do anything. We have already made an arrangement."

Ibuki thus hinted that he has another channel aside from that with the DPJ. The DPJ read Ibuki's intention as indicating that not only would sources at the BOJ and the Finance Ministry work on President Ozawa, they would also work on the anti-mainstream group of DPJ rebels. They had their eye on the roll call vote for the selection of BOJ personnel, which requires Diet approval, and the DPJ leaders thus called on the members to follow the party's policy.

As a result, the nomination of Muto was smoothly voted down with only a few abstaining from voting as the Upper House plenary session on the 12th. Looking back on this, Ibuki during a commercial TV talks show on the 12th noted: "We optimistically thought that the DPJ would make a decision from a broader perspective. Though we secretly discussed various matters, it remained unclear who would

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make a final decision on the matter in the DPJ."

Following the miscalculation, Oshima was quick to follow up the outcome of the voting. He met with Yamaoka on the 13th and told him that he was utterly shocked. Oshima along with Yamaoka then asked the prime minister's side to make a decision by the 17th. They envisaged a scenario of reaching a settlement by replacing Muto out of the judgment that it would be impossible to settle the issue with the promotion of Muto to governor.

At that time, too, Ibuki was secretly considering a plan to extend the tenure of Fukui by amending the BOJ Law. Since the prime minister gave up submitting a second plan on the 17th, some DPJ members are beginning suspect that he could propose amending the BOJ Law, which stipulates that priority be given to a decision by the Lower House, as one senior DPJ member put it.

(3) Kasumigaseki confidential: Senior Defense Ministry officials may again be reshuffled?

While the Defense Ministry was still reeling from the arrest and indictment of former Administrative Vice Minister Takemasa Moriya, who joined the former Defense Agency in 1971, the ministry was again shaken by the collision between the Maritime Self-Defense Force's Aegis destroyer Atago, which went into commission last spring, and the fishing boat Seitoku Maru.

There is an undeniably possibility that the accident will directly affect the appointments of senior ministry officials, including that of Minister Shigeru Ishiba, who may resign or stay on. The ministry in January shuffled the lineup of senior officials. If the ministry is forced to reshuffle the lineup, it could have an impact on the selection of administrative vice ministers in the future.

Incumbent Administrative Vice Minister Kohei Masuda, who entered the former Defense Agency in 1975, is now serving still in his first year in that post. The dominant view in the ministry is that he will likely serve there for at least two years. Ishiba and Masuda have a basic plan that the vice minister's post will be first go to the Secretariat Director General Kimito Nakae, who joined the former JDA

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in 1976, followed by Defense Policy Bureau Director General Nobushige Takamizawa, who came into the Ministry of Finance in 1978 and later transferred to JDA from the Financial Services Agency, and finally by Operational Bureau Director General Hideshi Tokuchi, who entered the former JDA in 1979.

Masuda has been worried that Ishiba may resign as defense chief to take responsibility for the Aegis collision. When the MSDF submarine Nadashio and a fishing boat collided in 1998, then Defense Agency Director General Tsutomu Kawara stepped down from his post to take responsibility.

Opposition parties have called for the replacement of Ishiba to take responsibility for the recent accident. If Diet deliberations on the fiscal 2008 budget and budget-related bills are taken as a "hostage," there is no doubt that Prime Minister Yasuo Fukuda and Ishiba will be forced to make a tough decision.

In case Ishiba resigns, there would be some debate about whether administrative officials should be retained or not. It has already been decided that MSDF Chief of Staff Eiji Yoshikawa will be replaced. The move indicates the Defense Ministry's desire to put an end to the matter as early as possible. Some in the government and ruling parties are calling for a removal of Justice Minister Kunio Hatoyama, besides Ishiba, when the cabinet is shuffled sometime in April after the budget and budget-related bills clear the Diet.

(4) Defense Ministry to launch new body for procurement reform

NIKKEI (Page 2) (Full)  
March 18, 2008

The Defense Ministry has worked out a plan to reform its system of procuring equipment for the Self-Defense Forces in the wake of its former vice minister's bribery case over Yamada Corporation and other scandals. The Defense Ministry plans to set up a new organization that is exclusively in charge of overseeing total costs for its procurement of mainstay equipment from development to purchase and maintenance. In addition, the Defense Ministry plans to enter into direct contracts with overseas manufacturers for procurement. The ministry is also aiming to attain a 15 PERCENT reduction of procurement costs by fiscal 2011.

The Defense Ministry's project team, headed by Parliamentary Defense Secretary Minoru Terada, will finalize and release the plan within

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the month.

The newly planned organization will be set up in the Equipment Procurement and Construction Office (EPCO), which is under the defense minister's direct control. The Defense Ministry has failed to grasp total costs in many cases, and its wasteful procurement has been pointed out. The new organization will integrate information about procurement costs and other factors for making a decision on whether to go ahead with development or mass production. EPCO will also establish an import control division as a point of contact with overseas manufacturers in order for the Defense Ministry to conclude more direct contracts with overseas manufacturers without trading companies.

(5) Japan-U.S. alliance must be reaffirmed

NIKKEI (Page 2) (Abridged slightly)  
March 16, 2008

By Hisayoshi Ina, senior writer

The governments of Japan and the United States will release a second joint security declaration possibly in late 2009. Although the declaration is needed today in view of the international situation, the two countries plan to delay it for two years because of domestic circumstances.

The two countries issued their first security declaration reaffirming the bilateral alliance in 1996, 12 years ago. During that period, there have been the following strategic changes in the environment surrounding Japan and the United States:

First, setting aside its influence on the situation in Tibet, China has grown faster than expected.

In terms of purchasing power parity, China's GDP has surpassed that of Japan. In contrast, Japan's position has declined. Japan's GDP accounts for less than 10 PERCENT of the global total today.

Second, the confrontational structure on the Korean Peninsula has changed.

The 1996 joint declaration was penned amid concern over a contingency on the Korean Peninsula. That is why an agreement was reached on the Guidelines for Japan-U.S. Defense Cooperation and the Law on Situations in Areas Surrounding Japan was enacted following the joint declaration.

North Korea has now become a nuclear power -- a grave reality. A bilateral alliance usually takes steps to enhance deterrence. Nevertheless, not only South Korea but also the United States have taken reconciliatory positions following a nuclear test by North Korea. The basic course adopted by the new South Korean administration of President Lee Myung Bak is unchanged.

Third, the resurgence of a strong Russia and the rise of India also signify geopolitical shifts.

Fourth, the world has changed since 9/11. Japan has dispatched

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Self-Defense Force troops to the Indian Ocean and Iraq under the Antiterrorism Special Measures Law and the Iraq Special Measures Law. The two laws are based on the Law on Situations in Areas Surrounding Japan.

The Japan-U.S. security arrangements could become an inert alliance unless Tokyo earnestly discusses with Washington ways to deal with the changes. A second joint declaration reaffirming the bilateral alliance I feel is necessary.

A reaffirmation between the two countries should result in a shift in the Japanese government's interpretation of the right to collective self-defense that would lead to a permanent law allowing the SDF to engage in international cooperation activities. It is also important to keep the promise to construct a Futenma replacement facility by 2014.

The Fukuda administration is reluctant to change the current interpretation of the right to collective self-defense. As far as moves by the New Komeito and the Democratic Party of Japan are concerned, chances seem slim (for the government to change its interpretation of the right to collective defense). But things could turn out differently.

Opinion polls indicate that there is a possibility for both Japan and the United States to have administrations led by their respective Democratic Party. But if Democratic Party of Japan President Ichiro Ozawa's UN-centered diplomacy should become Japan's policy, the Japan-U.S. alliance could fall apart.

Meanwhile, Barack Obama, who originally came from Hawaii, has more sensitivity to Japan-U.S. relations than Hillary Clinton does. Whether it be Obama or Clinton that takes power, a traditional Democratic foreign policy team occupying Washington would be less friendly to Japan than a Republican team.

At that point, the swinging of the pendulum would kick in, as was the case with the 1996 Japan-U.S. joint declaration.

Japan-U.S. relations were then driven by a centrifugal force as a result of the economy-oriented policy of the Clinton administration that was launched in 1993. Afterward, the pendulum swung back to the center.

Unless a similar development unfolds in 2009 between the Democratic administrations of Japan and the United States, the Japan-U.S. alliance could turn into another U.S.-ROK alliance of the former Roh Moo Hyun era.

Although reaffirming the Japan-U.S. alliance is far from Ozawa's policy intent, President Richard Nixon was able to make a historic visit to China in 1972 because he was anticommunist. This political paradox is often related. But it really happened.

The assumption that the alliance might deepen under Democratic administrations in both countries is not necessarily unrealistic. The new declaration could be issued by (DPJ President Katsuya) Okada and Obama.

SCHIEFFER